

February 28, 1950

To: Board of Governors  
From: Ralph A. Young  
Subject: System Policy in Providing  
Technical Assistance in the  
Foreign Area.

The nature and extent of Federal Reserve participation in providing technical assistance in the foreign area has been determined from time to time largely on a case by case basis, following as far as applicable certain lines of procedure adopted in 1945. At that time it was agreed in substance that:

Foreign activities of the System's staff should be coordinated under the Board's supervision, with the staffs of the Board and the Reserve Banks participating in order that System's resources in experience and personnel should be put to the best use;

A staff group on foreign interests (consisting of representatives of the Board and the Federal Reserve Bank of New York, with representatives of the other Federal Reserve Banks to be brought in when deemed desirable) would consider plans and procedures for handling such matters as the sending of representatives abroad, research activities in the foreign field, service to foreign banks and governments or to agencies of this government in the foreign field, and the functions and staffing of foreign missions;

Personnel for each mission would be selected according to individual qualifications and the purpose of the mission;

Whenever either the Board or the New York Bank considered sending representatives abroad, the other would be promptly consulted;

An informal top level group (consisting of the Chairman of the Board, Mr. Szymczak, and Mr. Sproul) would meet when necessary to consider policy questions involving international relationships of the System.

During the past several years, Federal Reserve experts have been sent to numerous countries in response to requests for help on monetary, banking, or related problems. Countries receiving the benefit of such technical assistance have included twelve in Latin America (Brazil, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala,

Haiti, Honduras, Mexico, Paraguay) and eleven in the eastern hemisphere (Austria, Ceylon, China, Germany, Greece, Iran, Italy, Japan, Korea, Palestine, Philippines). Personnel have been sent abroad on missions or assignments not only on direct requests from the countries themselves but also for other departments of the United States Government, including Economic Cooperation Administration and the United States Military Government, and for international organizations. An appendix to this memorandum summarizes the principal facts regarding these missions or assignments.

In the course of the Board's consideration from time to time of the cases presented for its approval, questions of the adequacy and availability of existing personnel and the necessity for particular missions have caused the Board sometimes to hesitate and to make special inquiries before taking action. This has resulted in a request from the Board to its staff to prepare a statement of the standards and principles which it is believed should be observed in providing technical assistance in the foreign area, defined for this purpose to include foreign central banks or governments, other agencies of the United States Government having foreign responsibilities, and international organizations.

In view of the great variety and complexity of the foreign requests for technical help made upon the System, any set of policy guides for System personnel action in the foreign field may require amendment as further experience is acquired. Such guides should also provide an adequate degree of flexibility so as to permit each future mission or assignment to be arranged on a basis especially applicable to its particular circumstances.

With these considerations in mind, the following points are submitted:

1. The Federal Reserve System having been set up by Congress as the repository of the central banking functions in the United States, it is logical that technical services to other governments and central banks with respect to monetary and banking legislation and problems should be a primary responsibility of the Federal Reserve Board and the Reserve Banks rather than that of any other governmental authority.

2. The furnishing of technical assistance of the kinds which the Federal Reserve System might properly provide, when requested by a foreign monetary authority or government (or by an agency of the U. S. Government) affords a means whereby the Federal Reserve System can strengthen its friendly relations with foreign central banks and whereby the United States may increase its influence abroad in ways which are free of imperialistic or other undesirable implications.

3. Since there are specific provisions in the Federal Reserve Act, as amended, with respect to relations between the Federal Reserve Banks and governments and central banks of other countries involving transactions of various kinds in the banking field, and since the Federal Reserve Board is charged with specific responsi-

bility for supervision over these relations, all requests for Federal Reserve technical assistance in foreign areas should be brought as promptly as possible to the attention of the Board of Governors, whenever possible after screening by the staff group on foreign interests. The Board, because of its concern with such missions, should give general coordination and supervision to them, the nature and degree of which should be adapted in accordance with the particular circumstances of each mission. Procedures and criteria are discussed further in paragraph 6 below.

4. In passing upon a request for technical assistance, there may be factors best known to the State Department which should be taken into account. Consequently, although foreign central banks requiring technical assistance should be encouraged to negotiate directly with us (rather than through governmental channels), no mission or assignment should be undertaken by the Federal Reserve except after the Board of Governors has consulted with the State Department and ascertained its views and, if necessary, the views of the American Ambassador in the country concerned. It should always be clear that the Federal Reserve, in responding favorably to an invitation from responsible sources in a foreign country, is acting with the concurrence of the State Department.

5. Foreign missions or assignments have always been recognized as ancillary to the foreign policy of the United States. This aspect of the System's foreign activities is even more important now as a part of the Point IV program.

Foreign missions or assignments are also to the System's interest because foreign experience is a useful means of developing and maintaining the skill of the specialists who advise its officers, Directors, and the Board of Governors. Accordingly, service on foreign missions should be expected of the System's experts, when feasible, especially those engaged in the international field.

There may properly be some preference for supplying technical assistance to countries with which the United States already has close ties or toward which the United States has special responsibilities. This would mean that in cases where the considerations for or against supplying foreign technical assistance are relatively evenly balanced, or where personnel shortages necessitate the meeting of only one out of several requests which may be before the System at a given time, preference might be given to providing assistance to countries with which such special relationships exist.

Where it would be possible for the country needing technical assistance to obtain it from some other country instead of from us, this fact should be considered. Should we believe that some other country or some international institution is actually better equipped than we are to render the desired assistance, we would have the duty of bringing this fact to the attention of the applicant. There may also be cases where the applicant would be served best by a program of assistance to be given partly by us and partly by some other country, as was done in 1943 when the central bank

of Colombia collaborated most helpfully with Federal Reserve representatives in Paraguay. If the applicant country has traditional or political ties with some other country which could give the needed assistance, this fact should be given special attention. However, the mere fact that foreign sources are available would ordinarily not be a reason for withholding Federal Reserve System assistance if the applicant country has a strong preference for Federal Reserve assistance and if the Department of State feels that it would be desirable in connection with the general foreign policy of the United States.

6. It is essential to the success of foreign missions or assignments that the System staff members participating be individuals of the highest competence and ability, and also that adequate communication be maintained, so far as possible, between the staff members on foreign duty and those staff members in Washington or elsewhere in the Federal Reserve System who have the responsibility for keeping in touch with the mission's work and progress. The nature and degree of supervision that is desirable will vary according to the objective of the particular mission, the country to which it is sent, the relationship of the mission or assignment to other work and policy problems of the System, and the staff status of the personnel selected for the mission or assignment. Occasions may arise during the course of any particular mission or assignment when it is desirable for some senior representative of the System to visit the mission or for the mission to return to headquarters for the purpose of

discussing its problems. In so far as circumstances permit, the studies and recommendations of missions having a major importance should have the benefit of senior staff advice and counsel. It is understood, of course, that the Board's staff is responsible for clearing items of policy in connection with mission matters with the Board in accordance with existing procedure.

7. Federal Reserve participation has been requested in missions that are intended to advise not only on central banking but also on the more general economic and financial problems of the country concerned. While such missions ordinarily survey all aspects of the country's economy in order to recommend policies that will be most conducive to the country's welfare, these policies in many cases revolve around the monetary and credit policy of the country, along with the closely related problem of the country's fiscal plans. Since these are problems that especially involve the central banking system, the role of advising on general economic and financial coordination is often indistinguishable from that of advising on central banking and monetary matters. Thus it may well be that a Federal Reserve System expert attached to the mission may also serve as a general economic and financial adviser.

8. In so far as adequate personnel with the necessary qualifications may be available, staff for foreign technical assistance should be drawn from the staffs of the Board and the Federal Reserve Banks and elsewhere when circumstances justify. The personnel requirements of each proposed mission or assignment should be analyzed carefully with a view to assuring appropriate personnel selection in accordance with special needs regardless of the particular functions

in which the personnel may be regularly engaged for the System. The staff group on foreign interests should consider what personnel may be available and make appropriate recommendations. It is assumed that loyalty information concerning such personnel will be satisfactory.

9. Apart from the function of a foreign assignment in providing technical assistance to a foreign country, such assignment may at the same time provide useful training and experience to the System personnel who participate. A mission may provide the means for a senior staff member or a senior officer of a Federal Reserve Bank to acquire a first-hand current view of the situation of the country to which the mission goes. Also, missions frequently call for the inclusion of junior staff members who assist in research activities and this may provide such staff members with types of knowledge and experience which it would be very difficult to supply to them in any other way. In selecting personnel for a foreign assignment, the extent to which the various candidates would benefit from the experience should be taken into account; also, in determining whether or not the System should assign personnel abroad at all, decision may at times be influenced by the prospective value of the work in supplying useful experience to Federal Reserve personnel.

10. It is important that, when the Board's initial approval of any foreign mission or assignment is given, adequate time be allowed for the performance of functions. In some cases, it may be impossible to determine the full scope of an assignment until after its personnel have gone to the foreign country and completed some part of the work; in these cases the personnel may first be assigned to foreign service



for enough time to do the minimum task that needs to be performed, with an understanding that, if the assignment is materially changed, the time will be changed accordingly. The likelihood of a need for extending the time of a mission should be ascertained in advance in so far as possible, so that it may be taken into account in the original assignment.

11. The arrangement followed in missions or assignments should ordinarily provide, among other things, that personnel sent abroad for extended periods may have their families with them and that agreed-upon special allowances and travel expenses (including those of the families) shall be reimbursed to the Federal Reserve by the foreign central bank or government concerned (or by the U. S. Government agency requesting the personnel). The Federal Reserve would continue, where necessary or desirable, to pay the salary of its employee while on foreign duty and would meet such other expenses as may be authorized in excess of the special allowance and travel expenses to be reimbursed. In the past, arrangements such as the foregoing have had the concurrence of the State Department.

12. It is recognized that, to broaden the training and experience of its staff members and thus to increase their usefulness both for their jobs at home and for future missions, the Board or the Banks may wish to send individual officers or staff members to a particular country or countries for periods of observation and study. In any such cases, travel and appropriate allowance expenses would be defrayed by the Board or by the Bank concerned.

13. In addition to the assignment of personnel to foreign missions there will be occasions when it is desirable to assign System personnel on an informal basis to work with other Government agencies that deal with international financial problems. Such assignments are likely to be requested when such other agencies have urgent problems in fields in which System personnel has special competence. From the System's point of view such assignments provide opportunities for staff members to gain experience in other organizations which fits in with their regular duties in the System. In cases where consideration is being given to the temporary assignment of either Board or Bank personnel to such work in a Government agency, the matter should have consideration by the interested members of the staff group on foreign interests in order to assure adequate coordination.

With respect to the assignment of a Board employee to work with another agency, such an assignment may be particularly advantageous, from both the Board's viewpoint and that of the other agency, where the other agency is drawing up proposals which bear on the financial or monetary policy for eventual submission to the National Advisory Council. The assignment thus serves to give that agency the benefit of our staff member's advice at an early stage in the drafting of the proposal. Where a situation arises in which such an assignment would be desirable for as much as a month or more, the matter should be submitted to the Board in accordance with existing procedures.

14. In connection with any foreign mission or assignment involving Federal Reserve participation, it should be made explicit to the party requesting assistance that the work and recommendations of Federal Reserve representatives will be on a basis of intellectual independence in the light of their technical experience and training, and that their studies and recommendations do not carry the endorsement of the Board of Governors or of a Federal Reserve Bank. It should also be understood that the Federal Reserve representatives will give practical effect to the history, development, and current needs of the country or area concerned, and that their recommendations do not necessarily establish a pattern or model for any other country or area.

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Attachment

TECHNICAL ASSISTANCE TO FOREIGN COUNTRIES  
 MISSIONS OR ASSIGNMENTS OF FEDERAL RESERVE PERSONNEL  
 1945-1949 1/

Country	Person	Duration of mission	Subject or purpose
<u>Technical Assistance Provided Directly by Federal Reserve</u>			
<u>Latin America</u>			
Brazil	Herold V. Roelse (NY) Arthur B. Hersey (Bd) Philip J. Glaessner (NY)	Aug. 25, 1948- Feb. 28, 1949	Mr. Roelse was a member and Messrs. Hersey and Glaessner were financial technicians on staff of Joint Brazil-U.S. Technical Commission "to analyze factors in Brazil tending to promote or retard economic development".
Costa Rica	Philip S. Eckert (Cleveland)	Apr.-July, 1944	To study agricultural credit conditions in Costa Rica.
Cuba	Henry C. Wallich (NY)	Oct. 7-18, 1945	To discuss plans for a central bank.
	Henry C. Wallich (NY)	Apr. 5-20, 1949	Advisory service to Banco Nacional de Cuba.
Dominican Republic	Henry C. Wallich (NY)	Periods totaling 6 months in 1945-47	) To advise in connection ) with monetary and banking ) reform and establishment ) of new central bank.
	Robert Triffin (Bd)	July 25- Aug. 12, 1945 and July 3-15, 1946	
Ecuador	David L. Grove (Bd)	Apr. 30-July 27, 1947	To assist in preparing new central bank law.
El Salvador	Henry C. Wallich (NY) John H. Adler (NY)	Feb. 27-Apr. 9, 1948	Fiscal study mission.
	Henry C. Wallich (NY)	Apr. 21-May 6, 1949	To present report on fiscal and monetary organization of El Salvador.

1/ Includes also 1950 missions authorized in 1949.

Country	Person	Duration of mission	Subject or purpose
<u>Latin America</u> (Cont'd)			
Guatemala	Robert Triffin (Bd)	Aug.13-Sept. 21, 1945 and June 29-July 2, 1946	) ) ) Prepare central and general banking legislation and to assist in initial operations of the Central Bank.
	David L. Grove (Bd)	Aug.10-Dec.15, 1945 and June 29-Aug.15, 1946	
	John H. Adler (NY) Ernest C. Olson (Bd) Eugene R. Schlesinger (NY)	July 5-Aug.5, 1949	
Haiti	M. R. Wilkes (Bd)	Mar.10-May 14, 1948	To audit National Bank of Haiti.
	Glenn M. Goodman (Bd)		
	Arthur M. Gustavson (Chicago)		
	G. Harold Snead (Richmond)		
Honduras	Robert Triffin (Bd)	May 31-July 7, 1943	To review monetary and banking situation and recommend new financial machinery.
Mexico	Henry C. Wallich (NY)	Feb.28-Mar.8, 1949	To lecture at National School of Economy.
Paraguay	Robert Triffin (Bd)	Aug.24-Nov.15, 1943 and Apr. 13-Dec.9, 1944	) ) ) ) To advise on monetary and banking matters.
	Pray Hammond (Bd)	Aug.24-Nov.15, 1943	
	Philip S. Eckert (Cleveland)	April-July, 1944	
	David L. Grove (Bd)	July 18-Dec. 12, 1944	
<u>Eastern Hemisphere</u>			
China	Frank M. Tamagna (NY)	July 8-Nov.15, 1946	Financial Adviser to Executive Yuan, assisting in monetary and banking reorganization.

Country	Person	Duration of mission	Subject or purpose
<u>Eastern Hemisphere</u> (Cont'd)			
Ceylon	John Exter (Bd)	Dec.22, 1948- June 15,1950	To advise regarding establishment of a Ceylon Reserve Bank and to assist in setting up the Bank.
Iran	Norris O. Johnson (NY)	End of Dec. 1944-Nov. 8, 1945	Member of American Financial Mission in Iran.
Italy	Frank M. Tamagna (NY)	Aug.8-Oct.20, 1945	Economic Adviser to Handicraft Development, Inc.
Korea	Arthur I. Bloomfield (NY) John P. Jensen (NY)	Eight months beginning August 1949	Advising Korea on monetary and banking problems (Bloomfield) and on accounting and administrative procedures (Jensen).
Philippines	Glenn M. Goodman (Bd)	Apr.30-Sept. 24, 1945	To assist in rehabilitation of commercial banking system.
	John Exter (Bd) Howard D. Crosse (NY)	Jan. 13-July 14, 1947	Mr. Exter was a member and Mr. Crosse a technical adviser on Joint Philippine-American Financial Commission to study Philippine budgetary and financial problems.
	David L. Grove (Bd) John Exter (Bd)	Jan.5-Apr.16, 1948	To assist in drawing up central banking legislation.
	David L. Grove (Bd)	Nov.27, 1948- Nov.25, 1949	To act as general policy adviser to Central Bank.
<u>Technical Assistance Given To or Through Other U.S. Government or International Agencies</u>			
<u>Latin America</u>			
Chile	Milic Kybal (NY)	Sept.16,1948- May 15, 1949	Consultant with UN Economic Commission for Latin America.
	Gerald Alter (Bd)	Nov.22-Dec.2, 1949	To assist the IBRD in a study of Chile.

Country	Person	Duration of mission	Subject or purpose
<u>Eastern Hemisphere</u>			
Austria	F. H. Klopstock (NY)	Oct.24, 1946- May 1, 1947	Chief of Taxation Section, U.S. Military Government for Austria.
Belgium	E. W. O'Flaherty (NY)	May 8, 1947- Mar. 19, 1948	Adviser to the U.S. Member of the Tripartite Commission for Restitution of Monetary Gold.
France	Paul Hermsberg (Bd)	Oct.22, 1945- Apr. 1, 1946	Loaned to State Department to assist at Reparations Conference in Paris.
	John H. Williams (NY)	Oct.28-Nov.24, 1948	Discussions with the Secre- tariat of OEEC.
	John H. Williams (NY)	May 20-July 13, 1949	To act as consultant to ECA/Paris.
	John H. Williams (NY)	Dec.17,1949- Jan.31,1950	Adviser to OEEC.
	Randall Hinshaw (Bd)	Six months beginning Jan.1,1950	To join staff of ECA/Paris (Trade and Payments Divi- sion).
Germany	Norman P. Davis (NY)	Apr.-Aug.,1945	) To assist with the organi- ) zation of financial con- ) trols in Germany.
	John H. Clarke (NY)	May-Dec.,1945	
	Lloyd A. Metzler (Bd)	Apr.8-July 14, 1946	To join War Department Mis- sion ("Colm-Goldsmith Mis- sion") to survey problems of German inflation and financial reform.
	Paul Hermsberg (Bd)	Oct.15,1946- Oct.15,1947	Assisted Gov. Szymczak in his work in Office of Mili- tary Government (Economics Division).
	A. H. Von Klemperer (NY)	Dec.12,1947- June 11,1948	Financial Adviser to U.S. Military Government.
	J. Herbert Furth (Bd)	June 6-July 19, 1949	To assist in preparing study on German economic and fi- nancial conditions for IBRD.

Country	Person	Duration of mission	Subject or purpose
<u>Eastern Hemisphere</u> (Cont'd)			
Germany (Cont'd)	F. H. Klopstock (NY)	Approximately six months beginning Jan. 9, 1950	To serve as consultant in Finance Division of High Commissioner's Office of Economic Affairs.
Greece	Charles A. Coombs (NY)	Aug. 27, 1947- Oct. 15, 1948	Financial Adviser, American Mission for Aid to Greece.
Japan	Frank M. Tamagna (NY)	Jan. 7-July 7, 1946	Monetary research assignment for War Department.
	Ralph A. Young (Bd) Arthur B. Hersey (Bd)	May 17-June 16, 1948	To recommend a new exchange rate and foreign exchange system for Japan.
	Norman P. Davis (NY)	Aug. 31-Dec. 21, 1949	To assist SCAP on study of foreign trade situation.
Korea	Frank M. Tamagna (Bd)	Feb. 21-Mar. 21, 1949	To make preliminary survey of financial conditions for ECA.
Palestine	Charles A. Coombs (NY)	Oct. 22-Dec. 15, 1949	Special Financial Consultant on UN Economic Survey Mission for Middle East.

February 14, 1950